

**BARDSTOWN INDEPENDENT BOARD OF EDUCATION'S  
ADMINISTRATION OF NELSON COUNTY'S ADULT  
EDUCATION GRANTS FROM THE COUNCIL ON  
POSTSECONDARY EDUCATION AND KENTUCKY  
ADULT EDUCATION**

**For The Period  
July 1, 2008 Through June 30, 2009**



**CRIT LUALLEN  
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CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS

September 14, 2010

Reecie Stagnolia, Vice President  
Kentucky Adult Education  
Council on Postsecondary Education  
1024 Capital Center Drive, Suite 250  
Frankfort, KY 40601

Brent Holsclaw, Superintendent  
Bardstown Independent Board of Education  
308 North Fifth Street  
Bardstown, KY 40004

Re: Adult Education Grants

Dear Mr. Stagnolia and Mr. Holsclaw:

This report contains the results of the performance audit of Bardstown Independent Board of Education's administration of Nelson County's adult education grant for the fiscal year (FY) ending June 30, 2009. The Council on Postsecondary Education and Kentucky Adult Education contracted with this office to conduct performance audits of selected local adult education programs. This report represents our findings, recommendations, and the program's responses.

The Auditor of Public Accounts conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We greatly appreciate the courtesies and cooperation extended to our staff during the audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", written over a horizontal line.

Crit Luallen  
Auditor of Public Accounts



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**EXECUTIVE SUMMARY**

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**PURPOSE AND SCOPE**

The Council on Postsecondary Education (CPE) and Kentucky Adult Education (KYAE) selected the Nelson County adult education program for a limited scope performance audit of its adult education grant. The Bardstown Independent Board of Education is responsible for the administration of this grant. An on-site review was conducted on April 19, 2010 through April 21, 2010, to address the following objectives:

- Determine whether the local program's expenditures comply with the terms of their grant agreement and reconcile to invoices submitted.
- Reconcile student and faculty data electronically submitted to KYAE through the Adult Education Reporting Information Network (AERIN).
- Determine whether the local program's professional development activities comply with the FY 2008-2009 professional development policies and procedures.
- Report internal control weaknesses identified during our audit that relate to the audit's objectives.

To accomplish these objectives, the performance audit team reviewed the Policy and Procedure Manual for Kentucky Adult Education, as well as the local program's grant proposal and final agreement with KYAE. During the on-site review, the audit team reviewed the program's accounting records (trial balance/general ledger), interviewed program administrators regarding internal controls related to the above grants, and tested samples of expenditure documentation, participant files, and personnel files for compliance with applicable requirements. Below is the summary of findings:

**FINDINGS SUMMARY**

<b>Finding</b>	<b>Disallowed Costs</b>
There were variances in five cost categories between the KYAE-10 Expenditure Reports and the program's financial records. This situation makes it difficult to determine compliance with the approved budget limitations in these cost categories.	N/A
One participant coded as being in the Family Literacy program did not have documentation to support that the participant is a parent or guardian of at least one child 18 years or younger.	N/A
One full-time employee file did not have documentation to support the required level of professional development training.	N/A

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## **RESULTS AND RECOMMENDATIONS**

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### **FINANCIAL REPORTING AND COMPLIANCE**

#### **Scope and Methodology**

The KYAE-10 Expenditure Reports were compared to the line item budget approved in the final agreement. This comparison was used to determine whether the program's reimbursements complied with the approved budget.

The KYAE-10 Expenditure Reports were then compared to the local program's internally generated financial records. This comparison was used to determine whether the program's accounting records support the total amount requested for reimbursement on the KYAE-10 Expenditure Reports.

#### **Findings**

While the provider's financial records more than support the KYAE-10 Expenditure Reports (financial records are \$39,622 more than amount requested), there were five variances between the cost categories on the KYAE-10 Expenditure Reports and the program's financial records. The following table illustrates our findings in this area.

<b>Cost Categories</b>	<b>KYAE-10 Expenditure Report 6/30/09</b>	<b>Program's Financial Records 6/30/09</b>	<b>Difference</b>
<b>*Core Services</b>			
<i>Administrative Personnel</i>	\$24,179	\$24,179	\$0
<i>Other Administrative Costs</i>	\$0	\$0	\$0
<i>Instructional Personnel</i>	\$145,527	\$185,363	(\$39,836)
<i>Other Instructional Costs</i>	\$9,000	\$11,162	(\$2,162)
<i>Operating Costs</i>	\$30,000	\$29,823	\$177
<i>Equipment Costs</i>	\$0	\$0	\$0
<i>GED/Refreshments</i>	\$0	\$0	\$0
<b>*Professional Development</b>	\$2,897	\$1,219	\$1,678
<b>*Performance Funding</b>	\$3,634	\$3,114	\$520
<b>Totals</b>	<b>\$215,237</b>	<b>\$254,859</b>	<b>(\$39,622)</b>

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**Recommendations**

We recommend that the MUNIS account system should reconcile with the KYAE-10 Expenditure Report categories. At a minimum, the program needs to establish a chart of accounts that can be used to reconcile the two reports. This chart of accounts should be used consistently during the grant period to prepare the KYAE-10 Expenditure Reports each month and at year-end. The chart of accounts should remain the same during the year to ensure that exceptions are not made to avoid the budget limits of a particular cost category. A listing of any expenditures recorded in one MUNIS account but split between two or more KYAE-10 categories should be maintained to explain variances.

**Program Response – [A draft report was provided to program management to request their comments and any planned corrective actions related the finding. Program management was given a reasonable amount of time to adequately respond to this request.]**

After checking with KYAE, I was told that we are not required to use the Munis system. I had already shared this information with the auditor. The only part of the Munis system used by the Adult Education program is the payroll and that is attached on a monthly basis to the KYAE-10 Expenditure Report. The auditor did reconcile all of the invoices to the expenditure report and found one finding that I responded to on May 19, 2010.

**Auditor Reply**

MUNIS is the accounting system used by this program's fiscal administrator to account for the adult education grant. Because MUNIS is the actual system that generates payments to employees and vendors, expenditures per the MUNIS system should reconcile to the program's KYAE-10 Expenditure Reports. An internal worksheet maintained by the Program Director does not support how expenditures were actually paid by the system.

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## **PARTICIPANT ELIGIBILITY AND RECORD KEEPING**

### **Scope and Methodology**

A total of 60 participants were selected randomly from the electronic student data sent from KYAE. Documentation maintained in the participant files was compared to the electronic student data. We examined the files for the following:

- Proper eligibility documentation.
- Proper assessment testing.
- Evidence to support the achievement of goals/objectives reported to KYAE.
- Other requirements based upon the applicable program requirements.

The participants tested received services during the period from July 1, 2008 through June 30, 2009.

### **Findings**

Proper file maintenance and accurate data entry is important to support and document participant data submitted electronically in AERIN. Programs are to maintain assessment forms on file for three years. Any achievement or completion of goals should be documented. The following exception was noted:

- One participant coded as being in the Family Literacy program did not have documentation to support that the participant is a parent or guardian of at least one child 18 years or younger.

### **Recommendations**

Staff entering participant data should require complete documentation for any data entry performed on a participant and ensure that participant files comply with applicable program requirements. Any file deficiencies should be reported to the Program Director.

**Program Response – [A draft report was provided to program management to request their comments and any planned corrective actions related the finding. Program management was given a reasonable amount of time to adequately respond to this request.]**

The participant was not in Family Literacy in Nelson County, she was enrolled in ESL only. (She was enrolled in Family Literacy in Washington County, but when we placed a call to Frankfort no one could explain the double enrollment.)

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**PAYROLL AND STAFF REQUIREMENTS**

**Scope and Methodology**

A sample of payroll disbursements was judgmentally selected for payroll testing. Documentation of hours worked was examined for existence and approval. Personnel files were examined to verify that staff had received the required professional development training hours and had the proper educational credentials required for their position.

**Findings**

CPE and KYAE require full-time instructors obtain eight hours of professional development training. One employee file did not have documentation to support the required level of professional development training.

**Recommendations**

We recommend that instructors receive at least the required hours of professional development training and that this information is documented in the employee's file.

**Program Response – [A draft report was provided to program management to request their comments and any planned corrective actions related the finding. Program management was given a reasonable amount of time to adequately respond to this request.]**

After checking with KYAE the person in question had 3 hours of Professional Development (Program Directors Conference 1 PDU), (Fall Institute 1 PDU), and (Corrections Conference 1 PDU). The remaining 5 PDU's were waived because she did Assessment Training for KYAE during the fiscal year of 2008-2009.

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**PURCHASING/EXPENDITURE COMPLIANCE**

**Scope and Methodology**

A sample of 14 expenditures, representing at least 20 percent of the total purchases, was selected judgmentally from the detailed general ledger. These expenditures were tested for authorization/approval, supporting documentation, and proper recording. We also verified that the expenditures were made during the grant period from July 1, 2008 through June 30, 2009.

**Findings**

No exceptions were noted.

**PROFESSIONAL DEVELOPMENT REIMBURSEMENT COMPLIANCE**

**Scope and Methodology**

Professional development expenditures were tested for proper authorization, supporting documentation, and adherence to approved rates and reimbursement policies. A sample of 1 expenditure, representing at least 20 percent of the total professional development expenditures, was selected judgmentally from the detailed general ledger.

**Findings**

No exceptions were noted.

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**INTERNAL CONTROLS RELATING TO GRANT**

**Scope and Methodology**

Bardstown Independent Board of Education's Program Director was given an Internal Control Questionnaire regarding the controls in place for expenditures, bank reconciliations, revenue, and payroll. The questionnaire was completed by the program director and/or the fiscal administrator and reviewed by the audit team for any significant control deficiencies.

**Findings**

No significant control deficiencies were noted.